

SCOTTSDALE CITY COUNCIL
WORK STUDY SESSION MINUTES
TUESDAY, DECEMBER 2, 2014



CITY HALL KIVA
3939 N. DRINKWATER BOULEVARD
SCOTTSDALE, AZ 85251

CALL TO ORDER

Mayor W.J. "Jim" Lane called to order a Work Study Session of the Scottsdale City Council at 4:05 P.M. on Tuesday, December 2, 2014 in the City Hall Kiva.

ROLL CALL

Present: Mayor W.J. "Jim" Lane
Vice Mayor Guy Phillips
Councilmembers Suzanne Klapp, Virginia L. Korte, Robert W. Littlefield,
Linda Milhaven, and Dennis E. Robbins

Also Present: City Manager Fritz Behring
City Attorney Bruce Washburn
City Treasurer Jeff Nichols
City Auditor Sharron Walker
City Clerk Carolyn Jagger

PUBLIC COMMENT – None

1. **Special Taxing District Financial Policies**

Request: Presentation, discussion, and possible direction to staff regarding the City's special taxing district financial policies, including Revitalization Districts, Community Facility Districts, and Improvement Districts.

Presenter(s): Jeff Nichols, City Treasurer

Staff Contact(s): Jeff Nichols, City Treasurer, 480-312-2364, jenichols@scottsdaleaz.gov

City Treasurer Jeff Nichols gave a PowerPoint presentation (attached) outlining the City's current financial policies for special taxing districts.

In response to Council questions, Finance Director Lee Guillory reviewed the Community Facilities District and Improvement District debt obligations.

NOTE: MINUTES OF CITY COUNCIL MEETINGS AND WORK STUDY SESSIONS ARE PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ARIZONA REVISED STATUTES. THESE MINUTES ARE INTENDED TO BE AN ACCURATE REFLECTION OF ACTION TAKEN AND DIRECTION GIVEN BY THE CITY COUNCIL AND ARE NOT VERBATIM TRANSCRIPTS. DIGITAL RECORDINGS AND CLOSED CAPTION TRANSCRIPTS OF SCOTTSDALE CITY COUNCIL MEETINGS ARE AVAILABLE ONLINE AND ARE ON FILE IN THE CITY CLERK'S OFFICE.

Bond Counsel Scott Ruby, Gust Rosenfeld P.L.C., explained the State statute restrictions for the issuance of assessment bonds, revenue bonds, and general obligation bonds. He noted that the not-to-exceed five percent (5%) of the City's secondary assessed valuation policy is unique to Scottsdale.

Councilmembers expressed concern about policies that bypass City Council and government input.

Councilmembers expressed interest in reviewing State statutes, City policies, and other cities policies on special taxing districts to better understand potential risks to the City.

MOTION AND VOTE – ITEM 1

Councilwoman Klapp made a motion to direct staff to: (1) Work with the Industrial Development Authority (IDA) regarding revitalization districts; and (2) seek the IDA's assistance, in whatever is in its lawful authority to provide, in determining whether the City should have a revitalization policy, and, if so, make recommendations on what that policy should be. Mayor Lane seconded the motion, which carried 5/2, with Vice Mayor Phillips and Councilman Littlefield dissenting.

ADJOURNMENT

The Work Study Session adjourned at 4:51 P.M.

SUBMITTED BY:



Carolyn Jagger
City Clerk

Officially approved by the City Council on _____

CERTIFICATE

I hereby certify that the foregoing Minutes are a true and correct copy of the Minutes of the Work Study Session of the City Council of Scottsdale, Arizona held on the 2nd day of December 2014.

I further certify that the meeting was duly called and held, and that a quorum was present.

DATED this 6th day of January 2015.

Carolyn Jagger, City Clerk

Item 1

Special Taxing Districts

City Council
December 2, 2014
Prepared by: City Treasurer

Special Taxing Districts

Improvement and Community Facility Districts

Debt Management #32:

Improvement District (ID) and Community Facility District (CFD) Bonds shall be permitted only when there is a general City benefit. ID and CFD bonds will be utilized only when it is expected that they will be issued for their full term. It is intended that ID and CFD bonds will be primarily issued for existing neighborhoods desiring improvements to their property such as roads, water lines, sewer lines, streetlights, and drainage.

Special Taxing Districts

Improvement and Community Facility Districts

Debt Management #32 (cont.):

a. Improvement District debt will be permitted only when the full cash value of the property, as reported by the Assessor's Office, to debt ratio (prior to improvements being installed) is a minimum of 3/1 prior to issuance of debt and 5/1 or higher after construction of improvements. Should the full cash value to debt ratio not meet the minimum requirements, property value may be determined by an appraisal paid for by the applicant and administered by the City. In addition, the City's cumulative improvement district debt will not exceed 5 percent of the City's secondary assessed valuation. Bonds issued to finance improvement district projects will not have maturities longer than ten years.

Special Taxing Districts

Improvement and Community Facility Districts

Debt Management #32 (cont.):

b. Community Facility District debt will be permitted only when the full cash value of the property, as reported by the Assessor's Office, to debt ratio (prior to improvements being installed) is a minimum of 3/1 prior to issuance of debt and 5/1 or higher after construction of improvements. In addition, the City's cumulative facility district debt will not exceed 5 percent of the City's secondary assessed valuation. The landowner/developer shall also contribute \$0.25 in public infrastructure improvement costs of each dollar of public infrastructure improvement debt to be financed by the district.

Special Taxing Districts Possible Discussion Items

- Community Facility Districts are most often formed to construct infrastructure improvements on vacant land. In addition, the request to form a Community Facility District is most often brought forward by persons or entities that own 100% of the net assessed value of the land within the district (D.C. Ranch, McDowell Mountain Ranch, Scottsdale Mountain, etc.). The practice has been to issue CFD debt for a period of 25 years. **Does Council want to continue past practices and include those past practices in the policy?**

- Improvement Districts are most often formed to construct infrastructure improvements to existing infrastructure (Bell Road II Improvement District). **Does Council wish to restrict ID's to infrastructure improvements to existing infrastructure?**

Special Taxing Districts Possible Discussion Items (cont.)

- Revitalization Districts were brought forward as a tool related to inter-jurisdictional districts (involving more than one governmental entity) wanting to improve existing public infrastructure. **Does Council wish to restrict RDs to inter-jurisdictional districts to improve existing infrastructure?**

- Current debt to encumbered property values for both IDs and CFDs are 3/1 prior to construction of the infrastructure and 5/1 after construction. **Does the Council want to adjust these ratios? Does the Council want these ratios to be applied in a financial policy for RDs?**

Special Taxing Districts

Possible Discussion Items (cont.)

- In both Improvement and Revitalization Districts it is possible that 51% of the owners (in net assessed valuation and number of owners) can form a district and encumber the property of up to 49% of property owners that may vote **not** to be included in the district. Should this be a consideration when setting policy related to the debt to encumbered property value ratio?
- Currently ID debt is issued for a period not to exceed 10 years and CFD debt for a period not to exceed 25 years. If the City were to issue RD debt how many years should it be issued for?

Special Taxing Districts

Possible Discussion Items (cont.)

- The current policy is to limit the City's cumulative facility district debt not to exceed 5 percent of the City's secondary assessed valuation. In addition, the City's cumulative improvement district debt is limited not to exceed 5 percent of the City's secondary assessed valuation. Should all debt related to IDs, CFDs and RDs be limited to 5 percent of the City's secondary assessed valuation?
- The City enjoys a AAA rating on its GO debt from all three rating agencies. Sound financial policies have helped achieve that rating.
- Other topics of discussion/direction?